



Michigan *Office of the Auditor General* **REPORT SUMMARY**

Performance Audit

Workers' Compensation and Long Term Disability Programs

Office of the State Employer

Department of Management and Budget

Report Number:
07-141-04

Released:
October 2005

The Office of the State Employer's (OSE's) mission includes managing the State's workers' compensation and long term disability (LTD) programs, giving technical assistance and support to the State departments' efforts to reduce work-related injuries and illnesses, and achieving the earliest practical return to work for employees away from work due to temporary or permanent disabilities.

Audit Objectives:

1. To assess the effectiveness of OSE's monitoring of the third party administrators' (TPAs') administration of the workers' compensation and LTD claims.
2. To assess the effectiveness of OSE's efforts to evaluate and improve the cost-effectiveness of the workers' compensation and LTD programs.
3. To assess the effectiveness of OSE's efforts to provide technical assistance and support to State departments in administration of the workers' compensation and LTD programs.

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Audit Conclusions:

1. We concluded that OSE was effective in monitoring the TPAs' administration of the workers' compensation and LTD claims. We noted a reportable condition related to the monitoring of the LTD program TPA (Finding 1).

2. We concluded that OSE was effective in its efforts to evaluate and improve the cost-effectiveness of the workers' compensation program. We also concluded that OSE was moderately effective in its efforts to evaluate and improve the cost-effectiveness of the LTD program. We noted reportable conditions related to independent medical examination data analysis, LTD return-to-work and transitional employment programs, and LTD program analysis (Findings 2 through 4).
3. We concluded that OSE was effective in its efforts to provide technical assistance and support to State departments in administration of the workers' compensation and LTD programs. Our audit report does not include any reportable conditions related to this audit objective.

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Agency Response:

Our audit report contains 4 findings and 4 corresponding recommendations. OSE did not express agreement or disagreement with the 4 recommendations.

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A copy of the full report can be
obtained by calling 517.334.8050
or by visiting our Web site at:
<http://audgen.michigan.gov>



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